

**Report on Audit of Compliance
With Cost Accounting Standard 404,
Capitalization of Tangible Assets**

July 2003

Reference Number: 2003-1C-149

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 25, 2003

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

FROM: Daniel R. Devlin
Assistant Inspector General for Audit (Headquarters Operations
and Exempt Organizations Programs)

SUBJECT: Report on Audit of Compliance With Cost Accounting
Standard 404, Capitalization of Tangible Assets
(Audit # 200310002.038)

The Defense Contract Audit Agency (DCAA) performed an examination regarding the contractor's compliance with the Cost Accounting Standards (CAS) and the Federal Acquisition Regulation (FAR). The purpose of the examination was to determine if the contractor had complied with the requirements of CAS 404, Capitalization of Tangible Assets, and any applicable FAR Part 31 requirements during January 1, 2003, to April 30, 2003. By performing Federal Government contracts covered by Government regulations, the contractor asserts that its accounting practices comply with the requirements of the CAS.

The DCAA considers the contractor's accounting system generally adequate for the accumulating and reporting of costs under Government contracts. According to the DCAA, the contractor complied, in all material respects, with the requirements of CAS 404 during January 1, 2003, to April 30, 2003.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director, at (202) 927-7077.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

